

STATE OF UTAH  
SCHOOL AND INSTITUTIONAL  
TRUST LANDS ADMINISTRATION

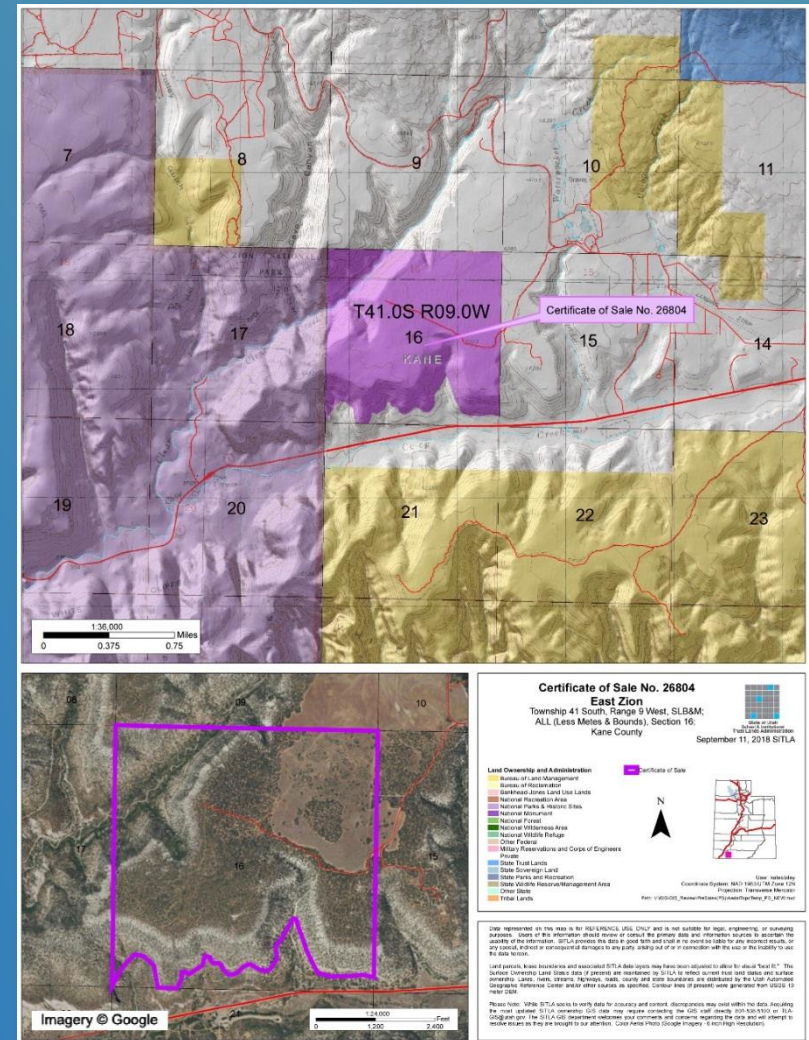
# Proposed Negotiated Sale Zion Mountain Land Holdings

Beneficiary: Schools  
Kane County

# Background

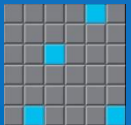
## Development Lease (SULA 1467)

- Approved by Board in 2005
- Issued 12/1/2006 for 10 year term (exp. 11/30/2016)
- Managed by Surface Group with Development Group coordination
- Lessee – Zion Mountain Land Holdings



# Zion Mountain Land Holdings

- Significant area landowner
- Owns land adjacent to SITLA property
- Holds significant water rights
- Has developed subdivision lots & rental cabins
- SITLA property included in overall development plan

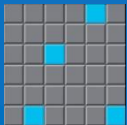




# Original Development Lease Terms

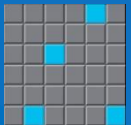
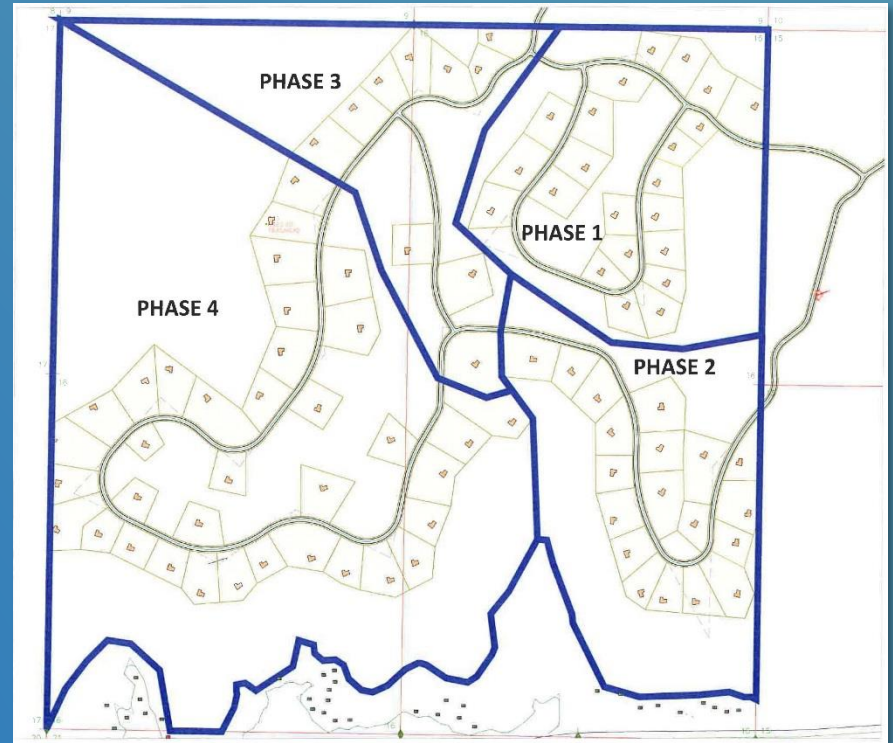


- 638.32 acres
- 100 residential lots
- Anticipated commercial development along Hwy. 9
- Base annual rental - \$100 per lot not sold
- Lot sales fee – 30% of purchase price



# Lease Amendment - 2012

- Approved by Board 1/19/2012
- Economic downturn – development postponed
- Revised plans & schedules
  - 87 residential lots over four phases
  - Lot sales fee remained at 30%
- Base rental - \$10,000/year, reduced proportionately as lots are sold
- Commercial portion along Hwy. 9 split into separate commercial lease (SULA1467-A)
- Five year extension option



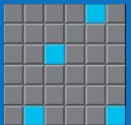
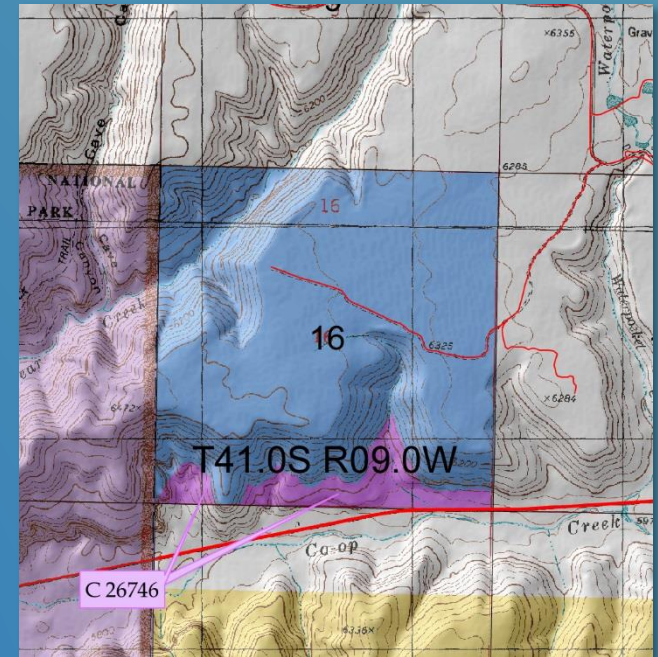
# Background

## Lease Extension Option

- Lessee exercised extension option in 2016
- Expiration date is now 11/30/2021

## Negotiated Sale – 58.08 acres

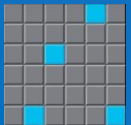
- Lessee offered \$1 million to purchase commercial lease property (SULA 1467-A)
- Offer substantially exceeded appraised value of property
- Board approval – 9/21/2017
- Transaction closed early 2018





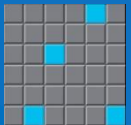
# Purchase Offer

- Development of residential lots remains stagnant
- Lessee continues to make base rental payments
  - \$10,000/year
- Lessee has offered to purchase remainder of development lease property
  - 581.92 acres
  - Offer is 125% of appraised value
- Surface Committee consultation – 9/4/2018
  - Recommended obtaining an appraisal
- Appraised value - \$3.2 million
- Purchase price (125% appraisal) - \$4 million



# Financial Analysis

- Three scenarios evaluated:
  - Full buildout of project prior to lease expiration
  - No buildout, sell at appraised value upon lease expiration
  - Accept lessee's offer, sell today



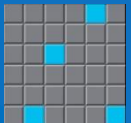


# Financial Analysis

## Full Buildout Prior to Lease Expiration

Year	2018	2019	2020	2021	Total
Units Sold	22	19	10	36	87
Price Per Unit	\$ 130,000.00	\$ 135,000.00	\$ 140,000.00	\$ 150,000.00	
	\$ 2,860,000.00	\$ 2,565,000.00	\$ 1,400,000.00	\$ 5,400,000.00	\$ 12,225,000.00
SITLA Take 30%	\$ 858,000.00	\$ 769,500.00	\$ 420,000.00	\$ 1,620,000.00	\$ 3,667,500.00
NPV @ 7.5%	\$3,015,153.28				

- Represents best case scenario for current development lease
- NPV - \$3.015 million

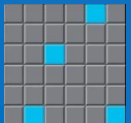


# Financial Analysis

## Sell Property After Lease Expiration

Total Acres	581.92						
Value Per Acre	\$ 7,500.00						
Total Value	\$ 4,364,400.00						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,364,400.00
NPV @ 7.5%	\$3,040,060.50						

- Assumes continued stagnant development
- NPV - \$3.04 million

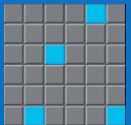


# Financial Analysis

## Accept Lessee's Offer – Sell Now

Total Acres	581.92
Value Per Acre	\$5,500.00
Total Value	\$3,200,560.00
Negotiated Sale 125%	\$4,000,700.00

- Eliminates risks associated with fulfillment of current lease
  - Development of rough, remote terrain
  - Market absorption
- Represents highest NPV of three scenarios
  - Sell now - \$4 million
  - Continue lease - \$3.015 million
  - Sell after lease expiration - \$3.03 million





# Recommendation

- Staff recommendation is to accept lessee's offer
  - Surface Committee favorable recommendation – 10/30/2018
  - Balloon payment – spring 2019
- Advertising & notice – no expressions of competitive interest
- Formal Board approval is required
  - Value exceeds \$250,000
  - Property exceeds 320 acres

